
Commonwealth of Kentucky: Evaluation of the Non-Entitlement Community Development Block Grant Program

**Commissioner Jody Lassiter
Department for Local Government
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Executive Summary

The Community Development Block Grant Program provides communities across the Commonwealth of Kentucky with needed funds for a range of infrastructure, community and economic development purposes. Crowe, Chizek and Company LLP (Crowe Chizek) was asked to examine the processes and structures of this program and provide attainable recommendations for improvement.

In consultation with the Commissioner of the Department for Local Government and key staff, Crowe Chizek identified three main goal areas. Within these goal areas, we recommend attainable solutions. They are as follows:

Goal Area #1

Improve the customer focus of the Department when interacting with outside entities

Recommendations:

- Increase Overall Understanding of the CDBG Process
 - Educate stakeholders on the roles of federal, commonwealth and local participants
- Accelerate the Allocation and Release of Funds to Communities
 - Conditionally commit grant funds
 - Reassess the practice of allocating money to program areas
 - Focus project funding on the current needs of the Commonwealth
- Increase the Number of Applications with Priority 1 Designation
 - Encourage communities to plan
 - Simplify the pre-application process

Goal Area #2

Improve the internal processes of the CDBG Program to ensure better administration

Recommendations:

- Increase the Speed by which CDBG Applications are Reviewed
 - Work with the State Clearinghouse to shorten review process
- Improve Communication with DLG and with Stakeholder Communities
 - Utilize standardized forms among DLG program branches
- Adherence to Federal Guidelines as a Means to Improve Internal Processes
 - Use technical assistance funds more aggressively
 - Create a stronger presence in field operations

- Develop more efficient LMI survey requirements
- Improve Access to Current and Historical CDBG Grant Files
 - Electronic storage of internal documents
- Increase Training and Development Opportunities for DLG Staff
 - Orientation program for new DLG staff
 - Private consulting contracts for continuing education and training

Goal Area #3

Improve the sharing of knowledge between DLG and its stakeholders

Recommendations:

- Grant Training for Applicant Communities and Stakeholders
 - Educate community leaders on the use of CDBG money
 - Develop a new grant certification process and continuing education opportunities
- Develop Strategic Partnerships with other Agencies
 - Partner with other agencies who fund similar projects
 - Create partnerships to get DLG staff “out into the field”
- Improve Communication with Stakeholders on Funding Decisions
 - Communicate a timely outcome of CDBG funding decisions
 - Provide a rationale for the funding decision
 - Post application and status information on DLG website

Introduction

Purpose

The Department for Local Government (DLG or Department) of the Commonwealth of Kentucky (Commonwealth) engaged Crowe, Chizek and Company LLP (Crowe Chizek) to evaluate the small cities or non-entitlement Community Development Block Grant (CDBG) program. The primary purpose of the evaluation, as conveyed by the Commissioner is to: 1) identify methods that will increase the flexibility of the CDBG program; 2) develop strategies to allocate funds to communities at a faster pace and 3) provide overall recommendations to improve the quality of the Commonwealth-administered program.

From the study, described in detail below, three goal areas and corresponding recommendations were identified to meet the objectives. These are:

1. Customer Focus: Improve the CDBG process to provide customer-focused services;
2. Internal Processes: Streamline processes within DLG to increase CDBG program efficiency for stakeholders and DLG staff;
3. Knowledge Sharing: Develop knowledge sharing opportunities for communities and stakeholders and provide greater access to DLG resources.

Documentation of the Evaluation Process

To construct the evaluation objectives, Crowe Chizek initially met with the Director, Assistant Director and managers of the Division of Community Development (DCD), the division that administers the non-entitlement program, for a kick-off meeting in August 2001. At this meeting, the staff provided Crowe Chizek input in identifying key areas for examination and improvement. This input assisted in the formulation of the project goals identified above. Subsequently, Crowe Chizek identified DLG documents necessary for review in order to complete the assessment. Crowe Chizek obtained these documents, listed in Appendix A, from DLG staff and completed a thorough content and process review.

In September 2001, Crowe Chizek representatives sent two teams to meet with the Commissioner and the entire Division of Community Development staff. The purpose was to discuss the primary responsibilities of each staff member and gather additional input regarding improvements that may be made to achieve the assessment outcomes. Interview protocol, provided in Appendix B, was developed for the staff meetings.

Crowe Chizek also contacted and interviewed external stakeholders to gather feedback from communities served by the program and from organizations and individuals involved in the grant process. A list of organizations from which individuals were interviewed and the protocol developed for the interviews are provided in Appendix C and Appendix D, respectively.

Finally, Crowe Chizek analyzed and evaluated information obtained from internal staff meetings, document review and external stakeholder meetings to establish a set of recommendations. The recommendations are outlined herein.

Program Overview

Overview

The CDBG program is a federally funded initiative providing grant money to cities and counties for economic and community development. The U.S. Department of Housing and Urban Development (HUD) administers the CDBG program, distributing funds to cities, counties and states through two methods:

1. Entitlement Program: The entitlement program provides jurisdictions with populations exceeding 50,000 residents with direct funds. In Kentucky, the municipalities of Ashland, Covington, Henderson, Hopkinsville, Lexington/ Fayette County, Louisville/ Jefferson County and Owensboro are entitlement jurisdictions;
2. Non-Entitlement/Small Cities Program: The non-entitlement program provides the opportunity for small cities and counties to apply for CDBG money through Commonwealth-managed programs. DLG administers the CDBG small cities program.

CDBG Program in the Commonwealth of Kentucky

Background

The Division of Community Development within the Department for Local Government manages the non-entitlement CDBG program. As required by federal regulations, communities applying for CDBG funds must meet one of three national objectives:

1. Principally benefit low to moderate income (LMI) families: To meet this objective, at least 51% of the persons benefiting from the project must be considered LMI. Seventy percent of non-entitlement CDBG funds must be used to meet this objective¹;
2. Aid in the prevention of or elimination of slums or blight: For a project to meet this objective, the activity must be described as a slum or blighted area per KRS 99² and must contain a substantial number of deteriorating or dilapidated buildings;
3. Meet the other urgent or unanticipated needs of a community: A project meets this objective if a recent urgency exists within the Commonwealth that poses a threat to the health or welfare of community residents.

In addition to meeting one of the national objectives, applicants must meet other federal requirements, including compliance with fair labor standards, adherence to environmental regulations and assurance of local public participation.

¹ LMI is defined as 80% of the median family income for the grant benefit area.

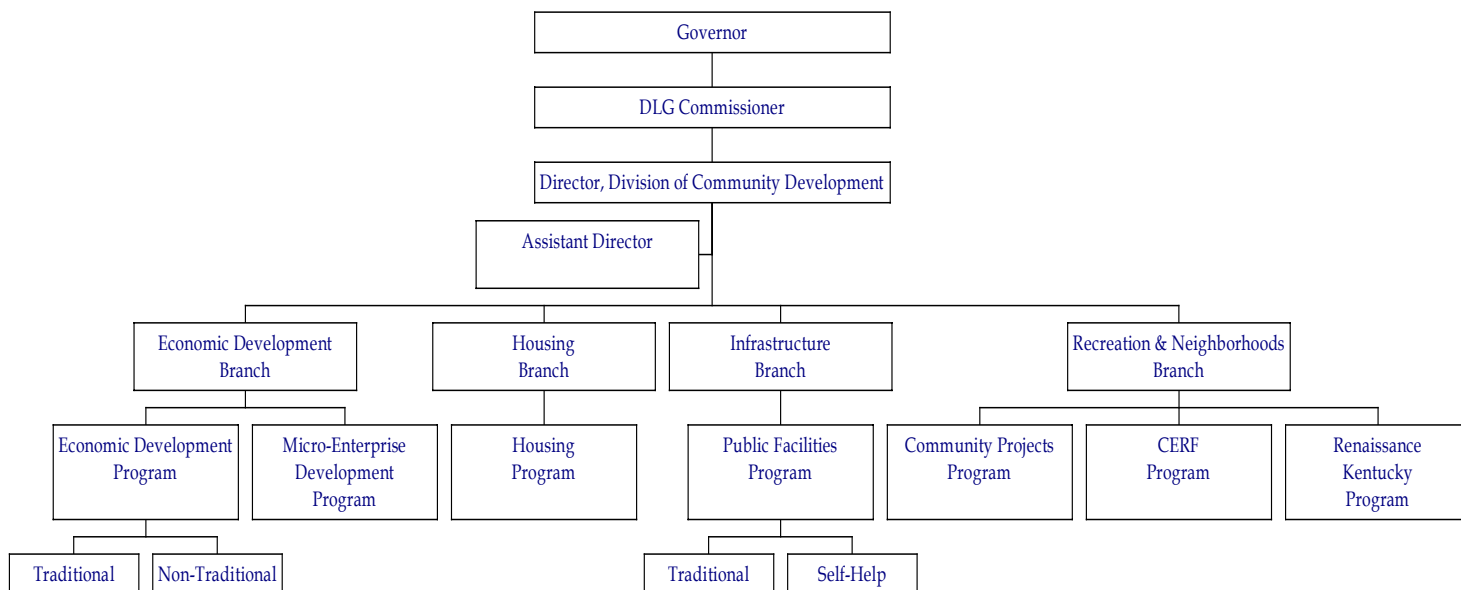
² KRS 99 is the Kentucky statute defining slums and blights.

Funding Areas

Annually, HUD notifies the Commonwealth of their non-entitlement CDBG allocation. The governor, in collaboration with the Commissioner of DLG, allocates the funds to seven program areas. Communities are then able to apply for grants under one of these seven areas.

1. **Public Facilities**: The Public Facilities program area provides funds to develop and enhance Kentucky's water and wastewater systems. Currently, this is the area receiving the most attention due to the governor's focus on comprehensive infrastructure improvements. Two types of projects are funded through Public Facilities. Traditional projects develop water and sewer infrastructure throughout the Commonwealth. Projects are limited to \$1,000,000 per application or \$2,000,000 in the case of a multi-jurisdictional application. The second type, self-help projects, provides money to purchase materials for water and sewer lines. The community then installs the materials using existing human resources.
2. **Economic Development**: The Economic Development program disburses CDBG funds to companies promising to create or retain jobs in addition to funding projects pertaining to the education and training of LMI individuals. Unique to this program area, Economic Development money may be granted to for-profit entities with a city or county acting as a conduit. Within this program area, two funding branches exist. Traditional Economic Development projects provide assistance to communities meeting the national objective of assisting LMI individuals through job creation or retention. Non-traditional projects are Economic Development projects that cannot be directly attributable to job creation or retention, but still benefit LMI individuals. As with Public Facilities, Economic Development grants are limited to \$1,000,000 per application for single jurisdictions and \$2,000,000 per application for multiple jurisdictions.
3. **Community Projects**: The Community Projects program distributes grants to cities and counties to construct projects such as neighborhood centers and to develop infrastructure. The funding cap in this program area is \$500,000 per project.
4. **Housing**: The Housing program provides funds to ensure safe, sanitary and decent housing for residents of the Commonwealth. Housing grants are limited to \$1,000,000.
5. **Community Emergency Relief Fund**: Commonly referred to as CERF, this program area provides grants to communities in the aftermath of disasters for the rehabilitation of infrastructure and housing. The governor must officially declare the community a disaster area for a city or county to be awarded CERF funds. Grants are limited to \$250,000 each.
6. **Renaissance Kentucky**: A collaborative effort among DLG, Kentucky Housing Corporation, Kentucky League of Cities, Kentucky Heritage Council and the Commonwealth's Transportation Cabinet, this funding area seeks to revitalize and restore the downtown areas of communities. Grants are limited to \$250,000 per project.
7. **Micro-Enterprise Development**: This funding program provides grants to cities and counties to develop training programs or provide technical assistance to LMI individuals who are interested in starting a small business. Currently, each grant is limited to a maximum of \$50,000.

While DLG allocates funds to seven program areas, the DCD staff who oversees the funding areas is arranged in four branches. As illustrated in the following organizational chart, several of the branches are responsible for multiple program areas:



A manager oversees each DCD branch. Branch managers, and the staff of each branch, evaluate grant applications and monitor grant awards, in addition to supporting the communities throughout the grant process.

Program Guidelines

Annually, DLG staff creates a program guideline book to distribute to communities and stakeholder organizations. The program guidelines assist communities in understanding the types of projects (through the 7 program areas) that may use CDBG dollars. Additionally, the guidelines provide applicants with information regarding how projects within each program area are prioritized. Applications, once submitted to DLG, are prioritized on a scale of 1-4. Priority 1 applications are “ready to proceed” applications and have a high likelihood of being funded. While priority 1-3 applications may be funded, an application ranked Priority 4 will not be funded.

Community Assistance

While DLG staff processes grant applications and monitors awards, communities usually require assistance in the preparation of applications, and if awarded, in administration of the grant. Two different groups are involved in this process: Area Development Districts and private consultants.

Area Development Districts

The Commonwealth is divided into fifteen regions known as Area Development Districts (ADDs). Each region has an ADD office with staff assisting local communities in planning and development activities, including aiding cities and counties in securing project funds. Specific to the CDBG process, ADDs work with community leaders to prepare grant applications, and if awarded, to administer the funds. In preparing grant applications, ADDs have the expertise in navigating the complex CDBG process and to act as an intermediary between DLG and communities. When communities are awarded CDBG grants, ADDs help communities administer awards. Grant administrators are charged with the financial management of the award and to ensure the community is meeting necessary federal reporting requirements. Grant administrators must be certified through DLG to manage the funds.

The Department annually distributes money to ADDs to help cover the upfront cost of planning CDBG applications. Approximately \$250,000 is distributed annually among the 15 ADDs for planning and administrative purposes. This money is combined with other agency appropriations under the Joint Funding Agreement (JFA). The JFA money is formula-based, with differing amounts going to ADDs depending on the amount of applications submitted and other relevant factors.

When an ADD administers a successful grant, it is entitled to a portion of the proceeds to cover costs associated with the management of the award. HUD regulations require that no more than 20% of the total grant amount be allocated to grant administration. Currently, grant administrators are approved for up to five percent of the grant amount to administer the project.

Private Grant Consultants/Certified Grant Administrators

Private grant consultants are also located throughout the Commonwealth providing communities with grant application preparation and administration services. Like ADDs, private consultants must be certified to administer awards. However, private grant consultants do not receive the upfront JFA dollars from DLG to cover planning-related costs.

Customer Focus

The Department for Local Government regularly interacts with individuals across the Commonwealth including community representatives, elected officials and grant administrators and with entities such as federal departments and quasi-government organizations. Given this frequent interaction among the Department and its stakeholders, it is imperative DLG continues to adhere to its vision to “empower our partners with effective advocacy, information, and funding resources.”³

Outlined below are strategies the Department should consider implementing to achieve a more customer-focused CDBG program. Each recommendation is realistic and is centered on the goal of increasing customer service by helping communities either understand the application and funding process, obtain the grant funds at a more rapid pace, or secure grant funds by providing assistance to communities on how to develop a Priority 1 application.

Customer Focus Recommendation #1: Increase Overall Understanding of the Grant Process

Educate Stakeholders on the Roles of Federal, State and Local Participants

Background

Some Kentucky community leaders are faced with poor infrastructure and blighted areas. Since communities do not traditionally have the cash to fund these improvements, leaders look for funding through grant and low-interest loan opportunities. Community leaders wanting to create projects contact Area Development Districts or private grant consultants, as well as DLG directly, to learn about funding opportunities. One of the primary funding sources within the Commonwealth is the CDBG program.

As outlined in the Program Overview, the CDBG non-entitlement program is a federally funded HUD initiative administered at the state level through the Kentucky Department for Local Government. As the funding source is federal, administered at the state level and utilized by local communities, the process is complex and requires detailed coordination among different governmental units. Additionally, communities applying for a grant and stakeholders supporting the program must acquire a firm grasp of the process in order to successfully obtain and administer program funds.

However, community leaders often do not have the expertise or the time to navigate the CDBG system. Thus, they utilize the services of Area Development Districts (ADDs) and private grant consultants to write and, if awarded, administer the grant funds, as these entities possess the familiarity with the complex CDBG program.

³ Department for Local Government (2001). Your department for local government. [Online]. Available: <http://www.kylocalgov.com/index1.html>.

Findings

Upon interviewing stakeholders, several respondents conveyed the process is too complicated, describing the system as neither customer-friendly nor understandable. Some stakeholders, while aware CDBG money originates at the federal level, are unfamiliar with the funding cycle and the process of applying for grant dollars. Additionally, local community officials believe the grant process is too bureaucratic, filled with red tape. Therefore, some mayors or county judge executives believe applying for CDBG funds requires too much time and is ultimately not worth the effort.

Recommendations

Since stakeholders believe the process is overly bureaucratic, it is DLG's responsibility to reduce perceived barriers by clearly communicating to local communities and stakeholders both the purpose of using CDBG funds and the application process. Through communication with local officials, grant consultants and ADDs, opportunities for enhanced understanding will encourage communities to apply for funds.

Specifically, DLG should use the following strategies to improve stakeholder understanding and awareness of the program:

- **Disseminate a Brochure to Communities Discussing the CDBG Program.** DLG should create a brochure to be distributed to communities within the Commonwealth discussing the purpose and uses of CDBG money. A prototype is provided under separate cover. By DLG providing communities with a tool to understand the purpose of CDBG funds, DLG is demonstrating its commitment to ongoing community outreach. Additionally, DLG could use the brochure as a marketing tool at conferences attended by local officials.
- **Update DLG Website to Include Detailed Information Regarding the CDBG Program.** DLG could increase stakeholder understanding by providing more detailed information on their website. Specifically, DLG may consider including flow charts outlining how federal money is distributed to communities, as outlined in Appendix F and how applications are processed, as outlined in Appendix E. Although the process is complex, the use of diagrams will serve as a guide for applicants and stakeholders to navigate the system.
- **Develop a New Name for the State-Administered CDBG Program.** Given DLG's desire to introduce a new and improved program to communities and stakeholder organizations, the Department could opt to implement a new name for the program. While the new name should be determined by stakeholder members, ideas include:
 - Develop Kentucky Fund
 - Community Improvement Fund
 - Community Enhancement Fund
- **Increase Project Visibility.** Currently many projects funded across the Commonwealth with CDBG money, through DLG, do not receive proper recognition. As is customary with governmental capital projects, a sign is usually placed in front of the worksite detailing all funding parties and those involved in the construction process. We recommend if signage is erected at the project site that it specify that CDBG money is being used and this funding has been provided by the Department for Local Government of the Commonwealth of Kentucky.

Customer Focus Recommendation #2: Accelerate the Allocation and Release of Funds to Communities

Conditionally Commit Grant Funds

Background

Under the current structure, the Department awards grants to non-entitlement Kentucky cities and counties on fiscal year cycles. DLG is notified in October, the start of the federal fiscal year, of the allocation the Commonwealth will receive for Kentucky's fiscal year starting the following July. Receiving over \$30,000,000 annually during the past nine years, a history of the Commonwealth's CDBG dollars is outlined below.

**Table 1:
Historical Analysis of Kentucky CDBG Funds for Non-entitlement Cities**

<u>Year</u>	<u>Total Federal Allocation</u>	<u>Funds Available for Block Grants*</u>	<u>Available Funds: Change Over Previous Year</u>
1992	\$29,127,000	\$28,444,460	
1993	33,585,000	32,813,300	15.36%
1994	37,508,000	36,657,840	11.72
1995	35,138,000	31,760,097	-13.36
1996	34,366,000	33,578,680	5.73
1997	34,055,000	33,273,900	-0.91
1998	33,445,000	32,676,100	-1.80
1999	33,764,000	32,651,080	-0.08
2000	34,074,000	32,951,780	0.92
2001	35,566,000	34,399,020	4.39

*The annual federal allocation includes funds to be used for technical assistance and administrative costs. Consequently, not all federal funds allocated to the state are used for grants to communities.

Findings

During meetings, DLG staff informed us the Commonwealth traditionally has had a poor draw of funds from the federal treasury. A letter, dated September 20, 2000 to DLG from the HUD Commonwealth office, conveyed that DLG had in excess of 2.3 grant years of CDBG funding left in its credit line. While this was not great news to DLG, the draw rate had improved from previous years. In 1997 it had 2.99 grant years of funds and in 1998 2.42 year remained. A copy of this letter is provided in Appendix G.

More recently, DLG has focused on improving the draw down rate. In a letter dated July 17, 2001 from HUD, DLG had spent over \$10.3 million dollars during the quarter ending June 30, 2001. This expenditure rate was a 15% increase over the previous quarter, and a 31% increase over the same quarter a year before. Additionally, in a letter dated October 17, 2001 from HUD, DLG had spent

over \$11.8 million dollars, a 12 % increase over the previous quarter and 30% over the same quarter a year prior. These letters are also included in Appendix G.

Recommendations

Given this historical draw down rate, DLG must find mechanisms to increase the speed that communities can draw upon funds. DLG could implement the following to improve the funding draw rate:

- **Conditionally Commit Funds.** For the 2002 guideline year, DLG could commit 2002 funds and anticipated 2003 money. While communities may be allocated money from a funding year more than twelve months away, communities will be able to start constructing projects by utilizing money from other funding sources and then may draw upon the CDBG money as soon the grant agreement is signed, as early as July 2003. Thus, the draw of 2003 funds will occur sooner in the funding year, getting money to communities quicker and further improving the draw down federal dollars.

Recognizing projects will develop in cities and counties during the 2003 fiscal year, only 60-75% of anticipated 2003 money should be conditionally allocated in program guideline year 2002. This will provide a reserve for Priority 1 and 2 projects that emerge in 2003.

- **Upcoming Five-Year Consolidated Plan.** The Department should explicitly discuss conditional commitment in the upcoming five-year consolidated plan. The current consolidated plan between DLG and the Kentucky Housing Corporation (KHC) must be updated and resubmitted to HUD to include fiscal year 2003 in order to conditionally commit funds.

Re-Assess The Practice of Allocating Money To Program Areas

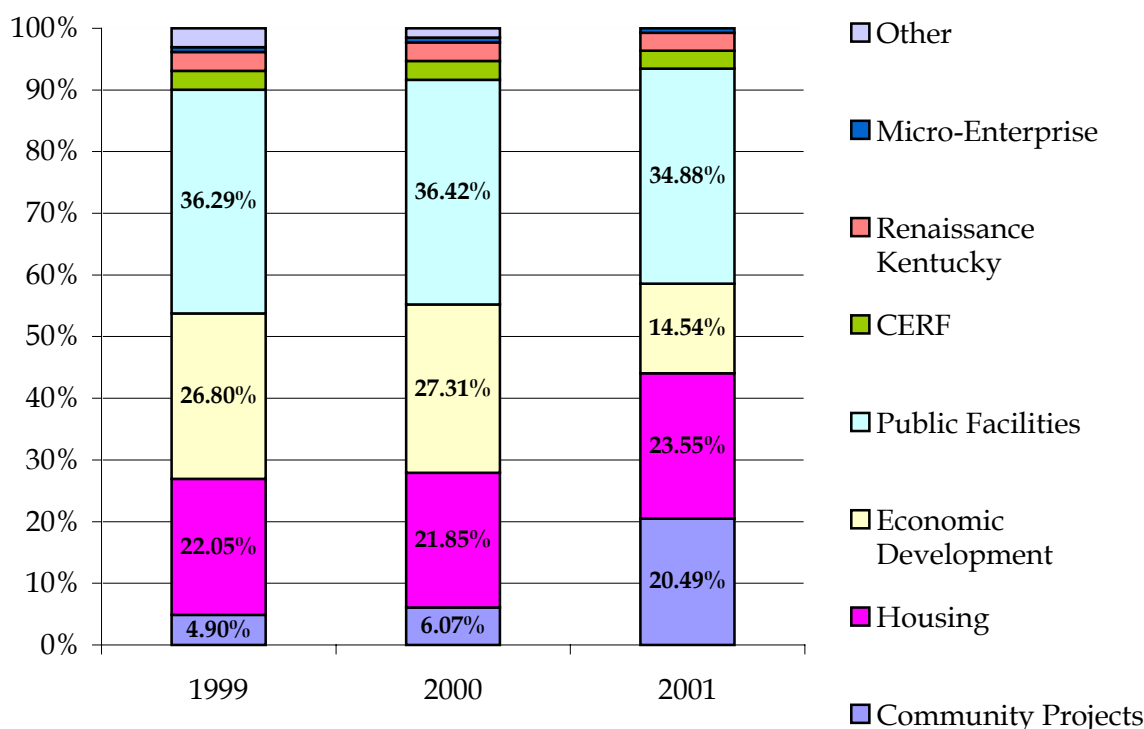
Background

The governor, after receiving notification from HUD concerning the annual amount of CDBG funds appropriated to the Commonwealth, allocates specific amounts among the program areas. Presently, the governor allocates funds to seven program areas:

1. Public Facilities
2. Community Projects
3. Economic Development
4. Housing
5. Community Emergency Relief Fund (CERF)
6. Renaissance Kentucky
7. Micro-Enterprise

The annual allocation of funds among program areas since 1999 is presented in Exhibit 1. While money is initially allocated to the branches, ungranted funds are pooled at the end of the application cycle and reallocated.

**Exhibit 1:
Distribution of CDBG Funds Among Program Areas**



Note: "Other" funds represent special funding initiatives by DLG that change from year to year.

Findings

While speaking to stakeholders, it became apparent designating funds to program areas is limiting since allocating funds restricts the review committee's ability to make funding decisions. Under the present system, the review committee does not have ability to fund projects beyond the parameters of the predetermined allocation to program funding areas. If all money from one program area were committed, then other Priority 1 projects under that same program area will not be funded. This funding allocation process could become a detriment to Commonwealth communities with significant needs.

Additionally, it became evident that not all program areas have the same needs. While the four largest program areas, community projects, public facilities, economic development and housing do share similar needs, the needs of CERF, Renaissance Kentucky and Micro-Enterprise are different. Therefore, the latter programs should be treated differently.

Recommendations

To avoid limiting the program and construct a truly customer-center program, DLG should implement the following changes:

- **Leave Funds as One Pooled Source for Several Program Branches.** While the Consolidated Plan (the "Plan") illustrates how CDBG money will be programmatically allocated in the upcoming years, the Plan does not require the DLG to allocate funds on a percentage basis to program areas. Rather, the Plan serves as a guiding document for the distribution of funds,

indicating the anticipated use of CDBG money. Therefore, we recommend that money should remain as one lump sum for applications submitted as community projects, public facilities, economic development and housing. By not allocating money to these program areas, projects will compete against each other for the available funds. Each application will stand on its own merits. Ultimately, funds will be released at an increased rate, since amplified competition will encourage communities to submit grants earlier, resulting in a faster draw on funds. Additionally, increased program flexibility is achieved through this change, as the review committee is not committed to predetermined funding levels. Rather, they may be flexible in funding decisions and in meeting the priorities set by the governor. Under this recommendation, the Plan would need to be updated to reflect the decision to leave funds under community projects, public facilities, economic development and housing as one funding source.

While we recognize the money in the program branches is currently pooled at the end of the application year and redistributed as needed to meet funding requests, allocating money from the start limits the process.

- **Continue Allocation of Funds for CERF, Renaissance Kentucky and Micro-Enterprise.** Given the nature of these three funding sources, money should initially be set aside to meet the special circumstances of these programs and should be illustrated as such in the Consolidated Plan. Additionally, Community Emergency Relief Fund (CERF), a programmatic branch that aids communities after disasters, should use a separate funding cycle. Under the current system, applications are only accepted from April 1-February 28. Disasters are not limited to these dates; therefore, the application period for CERF should be open continuously to meet the needs of community emergencies as they arise.

Focus Project Funding on the Needs of the Commonwealth

Background

The governor is responsible for setting funding priorities in the Commonwealth. Currently, the focus is developing infrastructure throughout the state, most notably potable water and wastewater systems. CDBG funds are used to meet these development priorities.

Findings

During our meeting with internal DLG staff and with members of the Kentucky community, it is evident that the focus is on improving infrastructure. As CDBG money is distributed among program areas, it is necessary that the funding areas meeting the priorities of the Commonwealth receive the highest level of funding.

Recommendations

- **Focus Funding on Projects Meeting the Needs of the Commonwealth.** Since the Commonwealth needs infrastructure improvements, the CDBG money should be primarily used for this purpose. This money can be used to leverage dollars from other state and federal agencies for the priority needs of the administration.

Customer Focus Recommendation #3: Increase Number of Applications with Priority 1 Designation

Encourage Communities to Plan

Background

In previous years, communities have submitted incomplete applications, leaving out critical information necessary for funding recommendations. When an incomplete application was submitted, DLG would follow up with communities to obtain missing data.

To proactively approach this problem, DLG implemented in fiscal year 2001 (the current funding year) the use of a more detailed pre-application. The pre-application was implemented to serve as a planning tool for communities so they are prepared for the submission of an application.

Findings

DLG has taken steps to aid communities in pre-planning. Through the use of the pre-application, communities are required to complete up-front planning and locate missing information prior to the submission of the application. DLG staff, although pressed for time, implemented the program to help communities prepare applications demonstrating DLG's commitment to the cities and counties they serve.

Recommendations

We applaud the Department for Local Government for introducing the pre-application and encouraging communities to use it as a planning tool. Below are additional recommendations that will further aid in the planning process, ultimately leading to Priority 1 applications.

- **Implement Planning Grants.** DLG should work with resources in the Commonwealth, outside of CDBG funds, to develop \$5,000-\$10,000 planning grants to help communities prepare applications. Applications are time consuming and require technical expertise. With added resources to plan, DLG will see an increase in the number of applications submitted meeting the criteria to be classified as Priority 1 applications. By using resources outside of CDBG money, such as state funds, planning grants will not be subjected to the rules and regulations of the CDBG program. Additionally, planning grants will allow local governments, through community meetings and other outreach activities, to identify meaningful community projects. Moreover, the Department will benefit from planning grants, as they will receive upfront knowledge of projects that are in the pipeline and may plan accordingly.

In the past, DLG used planning grants, funded by CDBG dollars, to help communities with applications. However, state or private funds, instead of CDBG dollars, should be made available for planning grants. Partnering with state agencies such as the Kentucky Infrastructure Authority (KIA) to provide state-funded planning grants for public facilities projects also being funded with KIA money would greatly enhance the quality of pre-application and application documents. Another possibility would be to partner with KHC to provide planning grants to applicant communities seeking CDBG housing funds. Taking advantage of these already present and well-funded resources will create synergies that will

inevitably assist communities in preparing better CDBG documents and increasing the number of Priority 1 applications.

With these planning grants, we recommend a requirement that communities receiving planning grant money (from any state agency) take no more than sixty (60) days after their invitation to submit an application to submit their final funding documentation. This will provide accountability, as the Commonwealth will receive, in a timely fashion, the direct benefit of the planning grants – a potential Priority 1 application.

Simplify Pre-Application Process

Background

DLG has restructured the CDBG process to include a more detailed pre-application. There is no deadline for submissions. The original pre-application or pre-submission process and forms were much simpler.

Findings

Unfortunately, the pre-application currently utilized by the Commonwealth is not what a true pre-application should resemble. The current booklet of forms is detailed and technical expertise-intensive. In the spirit of a pre-application, DLG should reformat the form to be no more than two pages. In order for an applicant entity to submit a valid pre-application, they must have LMI designation ensured, preliminary engineering completed and other funding sources secured or at least identified. These are components of a full application.

Also, there is not a deadline for the pre-application to be submitted. With a deadline for pre-applications, DLG will then have a mechanism to gauge the number of potential applications that may be submitted in any one funding year. While DLG does not have a system in place to estimate the number of potential applications within a funding year, it has created a device that may be used for this purpose. The pre-application should not only serve as a planning tool for applicants, but also as a planning vehicle for DLG staff.

By simplifying the pre-application, the DLG will be able to dialog with communities concerning the feasibility of the projects thus allowing for more priority 1, “ready to proceed” projects at the time of application submission.

Recommendation

- **Simplify the Pre-Application Packet.** A true pre-application should be no more than two pages. The current pre-application system just shifts duties once required under the full application process to the pre-application forms. This does not provide a benefit to potential applicant communities; rather it serves as a potential deterrent. The pre-application should include the information gathered during the informal discussions between DLG and the potential applicant community.

If it is DLG’s desire to maintain the current pre-application process in some form, we recommend the formal application process be divided into two parts, with the pre-

application process specifically reserved for information gathering and discussion regarding project feasibility.

- **Establish Deadlines for Pre-Applications.** DLG should utilize the pre-application as a means to gauge the number of applications potentially submitted in a funding cycle. This will help DLG gauge priorities and make funding decisions for Priority 2 and 3 projects.

Internal Processes

DCD staff must ensure that the Kentucky CDBG program adheres to all federal rules and regulations concerning the use of funds, including that the application and grant awarding processes meet HUD standards; that projects are monitored correctly; and that final audits at closing are completed in a timely and accurate manner.

Given the nature of federally funded programs, as previously demonstrated in the customer focus section, the application process is extensive and consequently time-intensive. DLG should work to find mechanisms to speed up this process.

Additionally, through our review of the CDBG process, we explored internal processes within DLG not directly related to the administration of CDBG funds. Included in this section are recommendations concerning the training of DLG staff and the filing system used for record keeping. Potential methods to accelerate the CDBG application process are discussed below.

Internal Processes Recommendation #1: Increase Speed by which CDBG Applications are Reviewed

Work with the State Clearinghouse to Shorten Review Process

Background

The State Clearinghouse (Clearinghouse) has the responsibility of distributing preliminary application information to agencies within the Commonwealth that have a regulatory responsibility to ensure projects meet agency-specific standards. Applicants requesting the use of CDBG funds, in addition to other funding sources, submit information to the Clearinghouse. The Clearinghouse then distributes the information to potential agencies with a stake in the process. Then, the Clearinghouse collects the reviewed materials from the stakeholder agencies and summarizes feedback from these sources.

Findings

During meetings with stakeholders, it was shared that the Clearinghouse process may take anywhere from 30-60 days.

Recommendation

- **Shorten the Clearinghouse Process to No More than 30 Days.** DLG could work with other agencies to identify ways to reduce the review process to no more than thirty days. Such a reduction will ultimately expedite the release of funds to communities. Understandably, the Clearinghouse is outside the direct domain of the DLG since it is a state legislated process. However, the DLG may act as an agent of change to lead the effort to shorten, even revise, this process.

Internal Processes Recommendation #2: Communication within DLG

Utilize Standardized Forms Among Division of Community Development Program Branches

Background

DLG must keep accurate and thorough records documenting applications and grant monitoring practices. From these activities emerge volumes of paperwork.

Findings

While talking to DLG staff, it became clear that not all branches utilize the same paperwork, even when monitoring or following the same activity.

From our analysis, we formulated a recommendation that may assist DLG in these areas.

Recommendations

- **Coordinate Forms Among Program Branches.** Division of Community Development staff should make a concerted effort to conduct a functional inventory of each DLG-specific form they utilize. Once each division completes this task, all division-heads should meet to decide what commonality and overlap exists among each division-specific form. From there, effort should be made to streamline and standardize forms making them transferable among branches.

Being fully aware that reporting and monitoring requirements for each of the four branches are different, providing standardized forms may prove difficult – thus showing the imperative need of an accurate functional inventory to ascertain whether or not this is an attainable goal.

Just as important as the forms themselves is the need to provide timely and accurate training to DLG staff as to the proper method in filling out any streamlined forms which may arise from the functional inventory. By creating standardized forms, it provides the ability to potentially reallocate human resources along a functional structure as opposed to a program-based method. The importance of having a better paperwork management process is extremely important since DLG may bring to witness a greater volume of applications due to the governor's current infrastructure focus.

Internal Processes Recommendation #3: Adherence to Federal Guidelines as a Means to Improve

Use Technical Assistance Funds

Background

The need for DLG to provide communities and entities that write applications and administer grants on their behalf with technical assistance on proper application construction and administration of awards is essential.

Findings

Throughout the stakeholder interview process, it was shared that DLG should be providing increased technical assistance. Currently, over one million dollars is currently held by DLG in its technical assistance fund.

Recommendations

- **Use Technical Assistance Money.** Technical assistance money should be spent since the funds are partially replenished annually by the CDBG allocation. Illustrated in the following section regarding Knowledge Sharing, possible ideas for the use of technical assistance money include educating communities at conferences, providing additional training opportunities for consultants and ADDs and creating technical assistance offices throughout Kentucky to aid communities directly.

Create a Stronger Presence in Field Operations

Background

To remain in compliance with HUD regulations, DLG staff conducts field visits to CDBG program sites (if they are tangible projects). In addition to field visits to ensure the project is progressing properly, DLG staff also conducts field-monitoring visits to ensure compliance with various federal and state regulations. Additionally, project closing conferences take place once the project has been completed and the grant money spent.

Findings

Through meetings with DLG staff, it became clear that the monitoring component of CDBG money is a paper-intensive and time-consuming process where valuable staff time is spent and large travel expenses are incurred. The need to visit projects cannot be discounted, as the Commonwealth must be sure the grant dollars are spent wisely. When DLG staff are on-site for monitoring visits, their role is sometimes that of an auditor, literally combing through and reconstructing payroll records to ensure federal fair wage compliance.

While discussing the monitoring process with stakeholders, it was disclosed that that final grant closing conferences are often delayed well past the time the grant is completed. This is at least partially due to the time-intensive monitoring process DLG staff conducts for each award, leaving little time for closing activities.

Recommendations

- **Simplify the Grant Monitoring Process.** When DLG staff conducts grant-monitoring visits, the documentation taken during the process should be directly entered into a computer, saving the staff time of first writing down information and then transferring it to the computer when arriving back at the office. Additionally, a database needs to be implemented to store the files. This system should be one specifically constructed and tailored to the functions of each division and its monitoring requirements. Additionally, this system should be directly tied to the DLG in-house system where daily synchronization

would take place with the DLG server once staff members return to Frankfort or via modem in the event of overnight field visits.

In addition to creating electronic formats for grant monitoring visits, we recommend that DLG staff not conduct intensive reconstruction of payroll records for each funded project. The grantee and any contractors let to the grant must sign a document certifying they will pay the prevailing wage for that area of the state. DLG should allow this document to stand on its merits, particularly since the Certified Grant Administrator overseeing the project should receive training in this area prior to certification. HUD requires any parties paying wages related to the project to sign this document, potentially eliminating the need for verification of payroll records.

While understanding that some review of payroll records is necessary, we recommend that DLG employ a sampling procedure similar to the audit processes used by the Internal Revenue Service or the Kentucky Department of Revenue. This random sampling would identify projects in various stages of funding for a compliance visit.

Develop More Efficient LMI Survey Requirements

Background

In order to qualify under the LMI designation, 51% of the affected population must be low to moderate income. HUD only requires a methodologically sound survey process to ascertain whether the project area qualifies for LMI designation.⁴ Those areas that are not primarily residential do not qualify under this criterion.

Findings

Currently, applicants conduct surveys to determine if an area meets LMI requirements. Conducting resident surveys adds substantial cost to the planning portion of the grant application process requiring the applying entity to expend upfront cash to pay for the survey. This expense may lead smaller communities to steer away from the CDBG program, creating a definite opportunity cost associated with the survey requirement since those communities most needing assistance are excluded from the process.

Moreover, residents responding to the survey are usually reluctant to divulge perceived sensitive financial and personal information about themselves and their family's socio-economic status. This leads to the need for over-sampling (discussed later) of the population in question, thus creating additional incremental costs and further exacerbating the entire process.

⁴ 24 CFR 507.483 discussed the requirements for the LMI qualification requirements. The Code is very broad in its determination of LMI requirements, giving two specifications, both at the discretion of the administering state: 1) Use of census data provided by HUD comparing census data with appropriate low and moderate income levels; or 2) survey data that is methodologically sound.

The 2001 *Community Development Block Grant Program Guidelines* detail DLG-generated procedure for conducting a methodologically sound survey (in Attachment B of the Guidelines). DLG provides a table in the CDBG Program Guidelines that sets forth the sampling requirement for various levels of affected persons (referred to as the “number of households in the Universe”). The table below details the sampling requirements that cities and counties applying under CDBG-LMI must follow to achieve methodologically sound survey techniques and remain in compliance with DLG.

**Table 2:
Detail of CDBG Resident Survey Requirements**

Households Numbering Less Than	Households Numbering No More Than	Required Minimum Sample
-	55	50
56	63	55
64	70	60
71	77	65
78	87	70
88	99	80
100	115	90
116	133	100
134	153	110
154	180	125
181	238	150
239	308	175
309	398	200
399	650	250
651	1,200	300
1,201	2,700	350
2,700	Or More	400

Source: Kentucky Community Development Block Grant, 2001 Program Guidelines

Understandably concerned with adhering to the HUD requirement of using a methodologically sound survey instrument, DLG created this table to provide strict guidance. Unfortunately, this guide creates a potentially prohibitive situation for grant applicants, as previously discussed. The Department has created with this table an overly conservative methodology for surveying residents to establish LMI status. Understandably, the Department is following guidelines set forth by HUD in *A CDBG Guide to Low/Moderate Benefit Activities and Acceptable Survey Methods* printed in 1989 and updated in 1992. However, this publication is merely a guiding document, not the definitive method for surveying for LMI in a community. Table 3 on the following page compares DLG survey requirements to that of requirements for a survey instrument set to 95% confidence.

Table 3
Comparison of Minimum Survey Samples

Number of Households	Kentucky Minimum Sample	95% Confidence
56	55	48
64	60	55
71	65	60
78	70	65
88	80	72
100	90	79
116	100	88
134	110	99
154	125	110
181	150	123
239	175	146
309	200	171
399	250	195
651	300	242
1,201	350	292
2,700	400	336

Source: Department for Local Government &
Dana Robinson and James Robinson. Performance Consulting: Moving Beyond Training.

Recommendations

- **Re-evaluate the LMI Survey Process.** DLG should re-evaluate the LMI sampling requirements, in cooperation with HUD, in order to bring it more into line with acceptable statistics parameters. Appendix H provides additional detail.

Internal Processes Recommendation #4: Improve Access to Current and Historical CDBG Grant Files

Background

The internal documentation process DLG utilizes is paper-intensive. Much of this paper is generated and held due to HUD-imposed filing, reporting and documentation requirements. From this process, it is inevitable that papers will be misplaced or filed with other grants and that quick and easy access to information is not likely.

Findings

DLG is not able to go paperless or use other more efficient modes of document storage since HUD's technology is not capable of accepting such files. However, HUD is in the process of developing this technology, as shared during stakeholder interviews. Until an online system is implemented, DLG could use the recommendation outlined below to increase the ability of staff to locate files.

Recommendation

- **Online Storage of Internal Documents.** Through the development of standardized forms, DLG could create templates to be used by the staff. When a staff member needs to fill out a form, then the person could access the template, enter the necessary information, and store the file to a central server. To organize the files, DLG should implement a naming method for all documents. This process should alleviate the need to place all paperwork in a central file room.

Internal Processes Recommendation #5: Training and Professional Development Opportunities

Background

The staff at DLG is committed to the CDBG process, as demonstrated by their vast knowledge and experience in the program. Since many staff members have been at DLG for an extended period, turnover is relatively low.

Findings

Through discussions with DLG staff, it became clear that a new staff member orientation program does not exist. Given the low turnover in DLG, this is not a constant concern. However, when a new person is hired, a formal orientation program does not exist.

Additionally, DLG staff shared during interviews that they are not required to engage in ongoing professional development, but do attend some conferences and seminars.

Recommendation

- **Create an Orientation Program for New Hires.** DLG should work to create an orientation program for new employees. Instead of giving a new employee the program guidelines and telling him or her to learn the process, provide the new individual with a walk-through of the program, including the application. Additionally, the new hires should receive training in DLG-specific areas including contracts, labor and payroll.
- **Provide Continuing Education Opportunities.** Once hired, DLG staff receives little training. DLG should provide opportunities annually for staff to enhance skill sets and keep updated on rules and regulations concerning the CDBG program. Annually, DLG staff should be required to participate in a minimum of 40 hours of professional development opportunities.

- **Consider Utilizing Online Training.** The Department should consider creating an online domain for pursuing supplemental training and development opportunities. This can be as simple as utilizing the DLG website as a clearinghouse for information and providing times and places of conferences and seminars relevant to CDBG professional education. If taken one step further, the Department could offer online course instruction to CDBG-certified grant professionals and in-house staff. This option would reach the most people at the least overall cost. To accomplish this, the Department should consider partnering with the Kentucky Virtual University, as this organization is the expert of online education in the Commonwealth.

Knowledge Sharing

The Department for Local Government's vision to "partner with Kentucky's local communities to enrich their citizen's quality of life"⁵ illustrates the Department's commitment to helping counties and cities in the Commonwealth. As an information conduit, DLG has the responsibility to keep these communities, as well as other stakeholders, informed and updated with developments in the CDBG program. As discovered during our evaluation, several aspects of the Division of Community Development should be improved to meet this responsibility of sharing information. These areas, outlined below, include providing opportunities for ongoing guidance regarding the CDBG program for communities and stakeholder organizations, developing partnerships and increasing communication with cities and counties.

Knowledge Sharing Recommendation #1: Grant Training for Communities

Educate Community Leaders on the Use of CDBG Money

Background

Community leaders, including county judge/executives, mayors and council members, are faced with limited budgets that often do not meet the needs of their community. Given this local lack of funds, leaders look to state, federal and private funding opportunities to secure funds for economic and community development.

Findings

The Kentucky League of Cities (KLC) and the Kentucky Association of Counties (KACo), to name a few stakeholder organizations, hold annual conferences where community leaders participate. These conferences provide leaders with the chance to network and learn about new opportunities for Commonwealth communities.

Recommendation

DLG should provide opportunities for community leaders to learn about the use of CDBG funds. Specifically, DLG should:

- **Provide a program at conferences to discuss the use of CDBG funds.** DLG should actively participate in local conferences to educate community leaders on the use of CDBG funds and how to initiate the application process. Through providing leaders with this information, they will be well informed when deciding to use CDBG money. Additionally, DLG should

⁵Department for Local Government (2001). Your department for local government. [Online]. Available: <http://www.kylocalgov.com/index1.html>.

educate community leaders on how to choose an ADD or a private grant consultant to lead the community's application and, if awarded, administer the funds.

Develop a New Grant Certification Process and Continuing Education Opportunities

Background

To help ADDs and private grant consultants administer awards on behalf of communities, DLG developed a grant certification process where administrators must obtain certification in order to work with the CDBG program. The program was developed and administered by DLG staff.

Under the present system, participants attend a two-day workshop to learn about the CDBG program and to become certified grant administrators.

Findings

Through the evaluation, we discovered certification training is not always offered annually. As a result, new employees of ADDs do not have the opportunity to become certified. Due to the turnover in ADD staff, a district may be left with no DLG-certified grant administrators, thus making them unable to administer awards. This leaves that specific part of the Commonwealth underserved due to government regulation.

Additionally, new consulting firms are not able to administer grants since DLG is inadvertently keeping these groups out of the system by not offering training annually. Therefore, a new grant certification process should be developed and offered frequently to ensure that those who are administering grants have the appropriate training. Additionally, grant administrators who are already certified should maintain skills through participating, hands-on continuing education opportunities.

Recommendations

- **Develop a New Grant Application Writer and Administrator Program.** A new grant certification process needs to be developed and offered annually to ADDs and private grant consultants. DLG should revise the process in response to feedback provided by program participants during the last certification process. The training should be outsourced to a private consulting firm that is knowledgeable in the Kentucky process. By having a private consultant develop the training, DLG staff will be alleviated of this task that is time consuming to develop.

Additionally, private consultants have the added benefit of having real world experience in preparing applications and administering grants. Technical Assistance money should be used to pay for the services of the private consultant. The Kentucky State HUD Office has knowledge of several consulting firms that have the knowledge to put together this training for DLG.

- **Provide Continuing Education Opportunities for Certified Grant Administrator.** Once certified, grant administrators should be required to participate annually in continuing education. The continuing education program should provide opportunities for certified individuals to develop advanced knowledge and specialized skills in addition to providing

updated information concerning changes in the state-administered CDBG program guidelines. Ultimately, this is an opportunity for grant consultants/administrators to advance skills that will result in stronger applications and more carefully administered grants.

- **Online Training.** Again, the use of online education may be well served in providing continuing education opportunities for grant administrators. With current and aspirant administrators located across the Commonwealth, the convenience of online education, possibly, again, in collaboration with the Kentucky Virtual University could provide this opportunity to a greater number of people. This will assist communities by providing them more options when selecting a grant administrator.

Knowledge Sharing Recommendation #2: Increase Partnerships with Other Agencies

Partner with other Funding Sources

Background

DLG is in a unique position to frequently interact with a variety of federal and Commonwealth funding entities. CDBG funds are usually part of a group of funding sources on a particular project, depending on the size and scope of the undertaking. Within these common funding groups, CDBG funds are looked upon as dollars, which fill funding gaps among other sources.

Findings

During our evaluation we discovered that communities must submit a separate application to each funding source from which money is being requested—even if all funding sources originate at the federal and/or state level.

Recommendation

- **Partner With Other Funding Sources.** DLG is currently developing a long-term plan to create more partnerships with other funding sources. The department should continue to take the lead in creating partnerships with sources that have similar funding interests, with the goal of creating common funding cycles among agencies and one application and review committee for all.

We do understand that many CDBG-funded projects also include other federal and state money. With the mixing of jurisdictions, it becomes difficult to ensure a common application and funding cycle, but those agencies, under the rubric of the Commonwealth, should continue to strive toward this goal. The eventual goal should be a quarterly meeting of all funding sources, both state and federal, to meet and decide which projects should be funded and what funding sources will contribute money to the project. This will not only simplify application and review decisions, but will also aid communities with grant writing since only one application would need to be submitted.

Create Partnerships to “Get Out in the Field”

Background

DLG has the responsibility to serve all communities within the Commonwealth of Kentucky. However, DLG only has a physical presence in Frankfort, limiting opportunities to get out in the field and visit communities. Other federally funded, state-administered programs, such as Rural Development through U.S. Department of Agriculture, have area offices that support Kentucky regionally. Additionally, ADDs have fifteen offices located across the Commonwealth.

Findings

DLG has the ability to support communities in the field through the use of technical assistance funds. Currently, DLG has over \$1,000,000 in technical assistance money.

Recommendations

- **Create Partnerships with Existing Offices.** Rural Development has five district offices throughout the Commonwealth. By DLG working with Rural Development, the Department could hire a staff member to be located at each RD office. The staff member would have the responsibility of solely providing technical assistance to communities, and could complete monitoring and auditing of projects.
- **Work Directly With ADDs.** As DLG already has a relationship with the ADDs, the Department should rely more heavily on ADDs to assist with marketing of the CDBG program. Additionally, DLG should help ADDs do what each does best. Therefore, an unbiased technical and functional review of each ADD should be completed to determine the competencies of each office, since skills sets of staff and concentration on program areas vary among offices.

The technical review should be completed in conjunction with each ADD and with the help of DLG and the Commonwealth, providing funds to complete the review. Based on the outcome of the review, DLG could determine what ADDs they should target to work with closely. Understandably, all ADDs do not have to offer the same services and could consequently decide not to work with the CDBG program.

Knowledge Sharing Recommendation #3: Communicate with Stakeholders on Funding Decisions

Communicate with Applicants the Outcome of Funding Decisions

Background

Under the current system, DLG notifies applicants on funding decisions after review committee meetings. Communities are notified on the outcome of the decision but are not provided with a rationale.

Findings

During the evaluation, we discovered communities are not provided with rationale of funding decisions and must submit documents under the Freedom of Information Act in order to find out the reasoning behind funding decisions.

Additionally, we discovered that a list of communities receiving grants, and a listing of communities which have applied for grants, is not readily available for Commonwealth residents.

Recommendations

- **Provide Communities with Rationale on Funding Decisions.** After review committee meetings, DLG should notify applicants of the status of the application (funded/not funded) and the rationale behind the decision. By providing funding rationale, DLG is exercising responsive and accountable government and is demonstrating the Commonwealth's commitment to providing much needed services to the communities of Kentucky. By allowing communities and their grant writers to know the rationale behind funding decisions, DLG will be helping communities and grant writers to understand how to improve an application and avoid areas of concern for future applications.
- **Post Application and Status Information on DLG Website.** The outcome of funding decisions, in addition to application status, should be placed on the DLG website. After review committee meetings, and after formal announcements are made, DLG should provide updated information regarding the current year funding decisions, including what projects have been funded to date, the amount of each grant and the remaining money available for grants in the current fiscal year.

Crowe Chizek Background

Crowe, Chizek and Company LLP (www.crowechizek.com) provides innovative solutions for assurance, consulting, e-business, financial and human capital, outsourcing, tax and technology through six main external practice groups. Founded in 1942, Crowe Chizek is a top-10 U.S. consulting and public accounting firm offering client-focused services through nearly 1,400 professionals with two offices located in Louisville and one in Lexington, Kentucky in addition to offices in Elkhart, Fort Wayne, Indianapolis, Merrillville and South Bend, Indiana; Grand Rapids, Michigan; Cleveland and Columbus, Ohio; Chicago and Oakbrook, Illinois; and Fort Lauderdale, Florida.

The Public Sector Services (PSS) group within Crowe Chizek provides traditional assurance, consulting, financial advisory, regulatory compliance and tax services to clients in state and local government, health care and tax-exempt organizations (colleges, universities, membership organizations and social service entities). PSS also conducts comprehensive public program evaluations, performance improvement studies, feasibility analyses, strategic planning, regulatory compliance and program management activities. These services help clients fulfill stakeholder responsibilities, anticipate and respond to opportunities, and manage funding and operational issues within the dynamic environments in which they operate.

The Commercial Services Group (CSG) provides a variety of businesses with traditional audit and tax services, as well as working with businesses that require specific consulting knowledge and skills to provide client-focused solutions. CSG works with clients in manufacturing, distribution, agribusiness, construction, family-owned and managed businesses and companies requiring specialized litigation and valuation services.

The Dealership Services Group (DSG) is a leading provider of services and technology tools to the automotive and vehicular dealership industries. DSG provides assurance, consulting, outsourcing and tax services to dealerships across the country.

The Financial Institutions Group (FIG) is a nationally recognized provider of assurance, consulting, information risk management, outsourcing and e-business solutions. FIG focuses on improving the financial performance, competitiveness and growth of their clients.

The Organizational Systems Management Group (OSM) are specialists in the administrative duties of an organization. The OSM professionals specialize in areas ranging from retirement plan record keeping to human resources consulting to executive staffing. OSM clients receive services from a consulting team that adapts a comprehensive range of expertise to fit any combination of employee related needs.

The Systems Consulting Group (SCG) has over fifty years of experience in planning, implementing and supporting solutions. Assessed at the CMN Level 2 by the Software Engineering Institute, SCG consultants establish the seamless extended enterprise infrastructure needed to implement changes, focusing on improving value chain interaction and proactive management procedures, at every level of an organization.

Crowe Chizek Public Program Experience

Crowe Chizek has extensive experience in the field of public program evaluation and administration. We have been engaged by all levels of government (local, county, state, federal and international) to evaluate the effectiveness of public and public/private programs, as well as being called upon to craft specific programs at the request of the governmental client. In addition to assessing the impacts of specific public programs, we have completed project seeking to assess the potential benefits and/or costs a certain public policy or program choice may bring to a jurisdiction. Our professional staff maintains excellent educational credentials and hold advanced degrees from accredited institutions.

A brief synopsis of several of our current and past experiences are detailed below:

Enterprise Zone Program Evaluation: Crowe Chizek was engaged by a client develop a comprehensive evaluation of the urban enterprise zone program. This fifteen month study required the compilation of over 50,000 pieces of data and hundreds and meetings and interviews. The engagement culminated in Crowe Chizek presenting a three-phase report detailing the historical current statuses of the program, policy objectives and recommendations for program and institutional improvement.

Mental Health Provider Report: This project requested Crowe Chizek to again analyze thousands of survey responses and to construct reports detailing and summarizing the opinions those persons who received services from certified mental health providers. Crowe Chizek has been engaged to complete this evaluation for the upcoming year as well.

Hospital Compensation System: Crowe Chizek developed a new base compensation system for a large public hospital corporation. The firm worked with the corporation's county health department division to document job duties; analyze positions for internal equity and develop a salary structure; conduct market comparisons to the county labor market to develop pay ranges; and design a performance evaluation process and pay matrix which will tie pay to performance. From this, formal job descriptions were developed and the firm conducted an audit of each position based upon the Fair Labor Standards Act for exempt/nonexempt status.

Mental Health Consumer Education Program: An example of Crowe Chizek actually administering a public program, this multi-year engagement with the client providing education services to better help residents select managed care and community mental health providers through the state's assurance plan. The education program is geared toward consumers of mental health and addiction services statewide and represents a partnership among the public, private and non-profit organizations. As part of this initiative, Crowe Chizek developed a web site, facilitated educational meetings and provides continual technical assistance to providers and consumers. Crowe Chizek supervises a call center out of the firm's downtown Indianapolis office. The call center is staffed by employees of a client subsidiary, a sub-contractor to Crowe Chizek. The employees include individuals who have been diagnosed with mental illnesses, but who are ready to move back into the workforce and will benefit from working in a professional environment.

FaithWorks Program: Another program directly administered by Crowe Chizek, the initiative is considered a national model and received one of only four A's from the Center for Public Justice in their review of faith-based initiatives across the country. FaithWorks Indiana seeks to educate faith-based and community-based organizations regarding public, private and non-profit funding for social services for Indiana families. In April of 2000, Crowe Chizek partnered with the Indiana University Polis Center to survey 412 congregations regarding their interest in government funding for social services and their current level of social service provision. At the same time, Crowe Chizek and client staff held informal meetings throughout the state for over 1,000 representatives of faith-based and community-based organizations who were interested in the initiative. Crowe Chizek develops and conducts annual technical assistance workshops attended by hundreds of faith-based and community-based organizations throughout the state, and provides ongoing information and assistance through a web site and toll-free number. Technical assistance offered includes information about funding sources, proposal writing, project management, and the effective delivery of social services. Education about Charitable Choice, the federal enabling legislation for faith-based involvement in social service provision, is also provided to state government employees and interested individuals and faith-based and community-based organizations.

Technical Appendices

Appendix A **List of Documents Reviewed**

- Division of Community Development organization charts
- Project performance tracking material
- List of Grantees from previous 5 years
- Breakout of CDBG funds for previous 10 year
- Amount of awards and the percentage of available funds distributed for previous 5 years
- Program Guidelines manual for 1999, 2000, 2001
- Sample applications PowerPoint presentation of Program Training
- Consolidated Plan
- Information regarding grant certification process and potential firm(s) that could assist with training
- Housing and Community Development Act of 1974
- Code of Federal Regulations: 24 CFR Part 570, Subpart i, Section 570.480 - 570.497 (State Community Development Block Grant Program)

Appendix B

Interview Protocol: Internal Stakeholder Meetings

Customer Focus

1. In your opinion, what are the thing CDBG applicants can do to improve the quality of the grant applications?
2. To follow up on that question, what consistent problems do you see which prevent projects from receiving a Priority 1 rating?
3. Do you feel the current system of education and training programs for grant writers and administrators is adequate? What can be done to improve it?
4. Do you feel that you are adequately connected to the grant applicant? In other words, do you think that as a branch team member, you fully understand the community's need from what is provided to you throughout the application process?

Streamline Internal Systems

5. What parts of the application and award processes do you feel could run better than they current do?
6. Do you think that the amount of time you spend on any one part of your daily task is greater than it should be?
7. Do you feel that current organization chart is organized in the most efficient way?
8. With each division, are the human resources you supervise properly allocated with respect to the tasks they are required to complete?
9. How much duplication of effort exists among the four divisions and within your own?
10. What type of electronic databases you do currently use (Oracle, Access, dBase, Lotus Notes)?
11. How much of what you and/or your human resources is required either by statute or regulation?
12. As a branch team member, do you feel that you share an adequate amount of information with your sister branches within DCD?
13. What type of internal support functions are you missing?
14. When you classify a project as ready to proceed, you do feel that when you do this, you have all the needed information to make such a determination?
15. If not, what type of technical assistance do you feel would better equip you to make a more informed determination?

Employee Orientation and Training

16. Does the current system of notification provide you with adequate time to prepare for new employee arrivals or transfers?
17. What type of training (inside and outside of DCD) is afforded to you and your staff? Do you feel that this is enough information to keep you and your staff informed professionals?
18. Are there any minimum hour requirements for continuing education?
19. When an employees comes to work at DCD, do you feel the materials they receive in their orientation provide them with the necessary information to know the proper resources to contact or procedures to follow?

Appendix C

List of Stakeholders Interviewed

Internal Staff Meeting

- Commissioner
- Director of Community Development
- Assistant Director of Community Development
- Economic Development Branch
- Community Projects Branch
- Public Facilities Branch
- Housing Branch
- Division of Community Development Support Staff

External Stakeholders

- ADD Executive Committee
- Appalachian Regional Commission
- Blue Grass ADD
- Big Sandy ADD
- CEDA
- County Judge/Executives
- Kentucky Association of Counties (KACo)
- Kentucky Heritage Council
- Kentucky Housing Corporation (KHC)
- Kentucky Infrastructure Authority (KIA)
- Kentucky League of Cities (KLC)
- Kriss Lowry and Associates
- State Clearinghouse
- Summit Engineering
- U.S. Department of Agriculture—State Rural Development Office
- U.S. Department of Housing and Urban Development—Kentucky State Office

Appendix D

Interview Protocol: External Stakeholder Meetings

A. Program Flexibility

1. How do you find out the types of projects that can be funded by CDBG money?
2. Are there any projects that communities want/need, but you believe they won't ever get funded by the Div. Of Community Development, but should be? Please provide examples.
3. Does the CDBG program have enough flexibility in it to fund your community's priorities? How could there be more flexibility?
4. What are your thoughts on the Div. Of Community Development funding planning and design grants?
5. What type of planning do communities engage in prior to seeking CDBG funds?
6. What type of projects should be top priorities for CDBG funding in Kentucky?
7. How do you view the application submission window of April through February? Does it meet your needs?
8. What are your thoughts about the current dollar amounts allocated to individual project funding areas (community projects, housing, economic development, etc.)?

B. Funding Disbursement

1. How could the application review process be streamlined, so that applications are reviewed faster and that winning applications are announced faster?
2. What incentives can be put in place to encourage communities to draw down their approved funding as quickly as possible?
3. What consequences should there be for communities that are approved for funding, but don't move quickly on drawing down their allocations?
4. What role could your organization play in moving the HUD money more quickly into the communities?

C. Customer Focus and Grant Program Procedures

1. What is the one thing you like best about the CDBG program?
2. What's the one thing you would change about the CDBG program?
3. Describe how easy/difficult it is to complete the CDBG application.

4. Describe how you find out about grant guidelines each year.
5. Have you ever had a proposal rejected and, as a result, not funded? Was it clear to you as to why you weren't funded?
6. What kind of marketing should be done to continue to get new applications into the Div. Of Community Development's pipeline to be considered for funding?
7. Various stakeholders have mentioned that the application process is "political." What does that mean? Do you agree with that? If, so, how could "politics" be removed from the system to make the process more equitable?
8. How knowledgeable are local elected officials about the CDBG application and grant administration process? How could local elected officials become more knowledgeable about the CDBG application and grant administration process?
9. What kind of information/support do the communities need to receive throughout the year from the Div. Of Community Development to help them successfully administer and apply for grants? Are they receiving this information now?
10. How do municipalities find out who can write CDBG grant proposals and administer the grants?
11. How would you describe your working relationship with DLG Div. Of Community Dev. staff? Easy to work with? Difficult? Please describe what you mean.
12. What strategies should DLG employ to improve the quality of service to communities applying for or receiving block grants?
13. How effective is the grant monitoring process currently in place? How could it be improved?
14. How much, if any, duplication of funding efforts do you see within the state (ex: housing, infrastructure)? Explain.

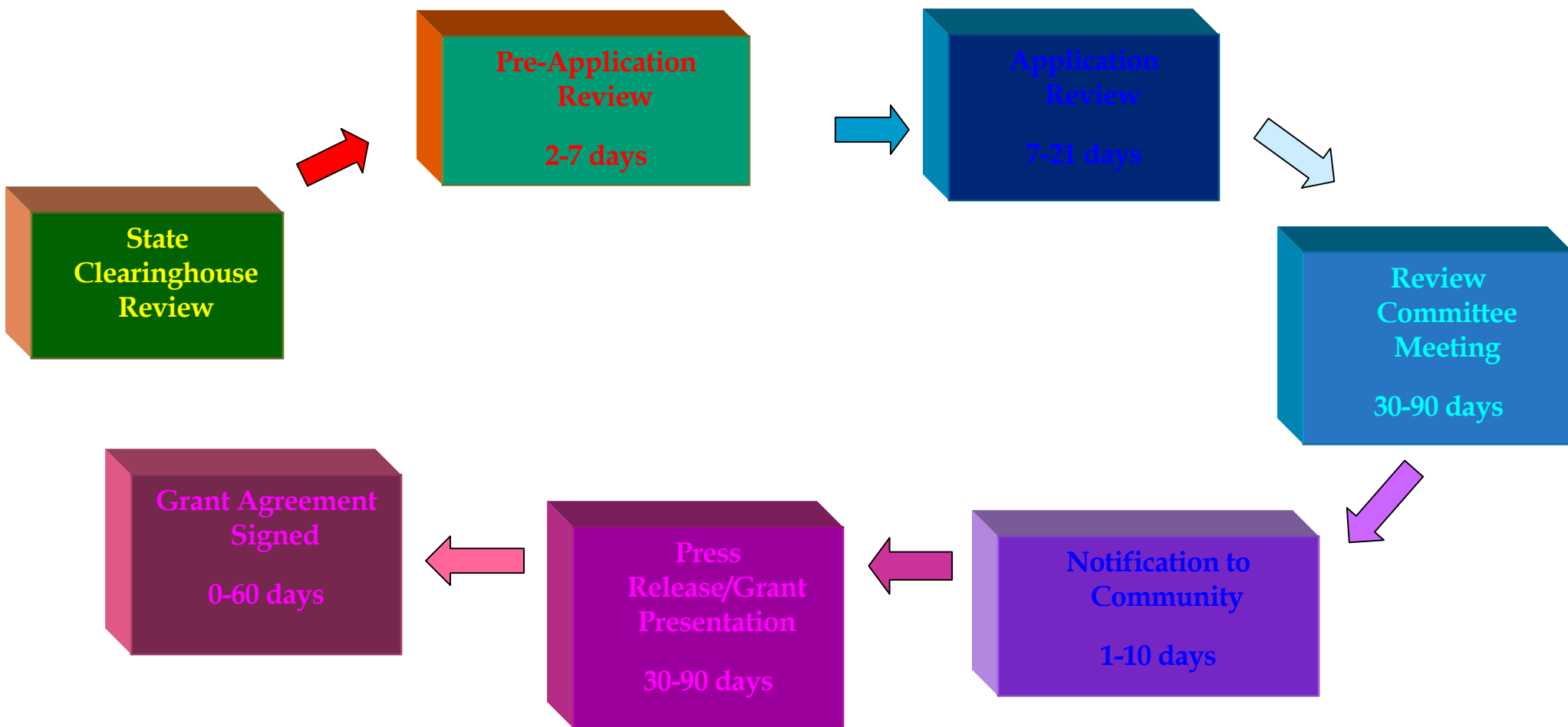
D. Application Quality

1. What's your opinion about the new system for reviewing applications?
2. What are the barriers to ensuring that an application is "ready to proceed?" How can these barriers be overcome?
3. What kind of technical assistance or training should be offered/funded by the Div. Of Community Development to help communities prepare successful CDBG grant applications? Who has the credibility and expertise to conduct such technical assistance or training?

E. Grant administration systems and accountability

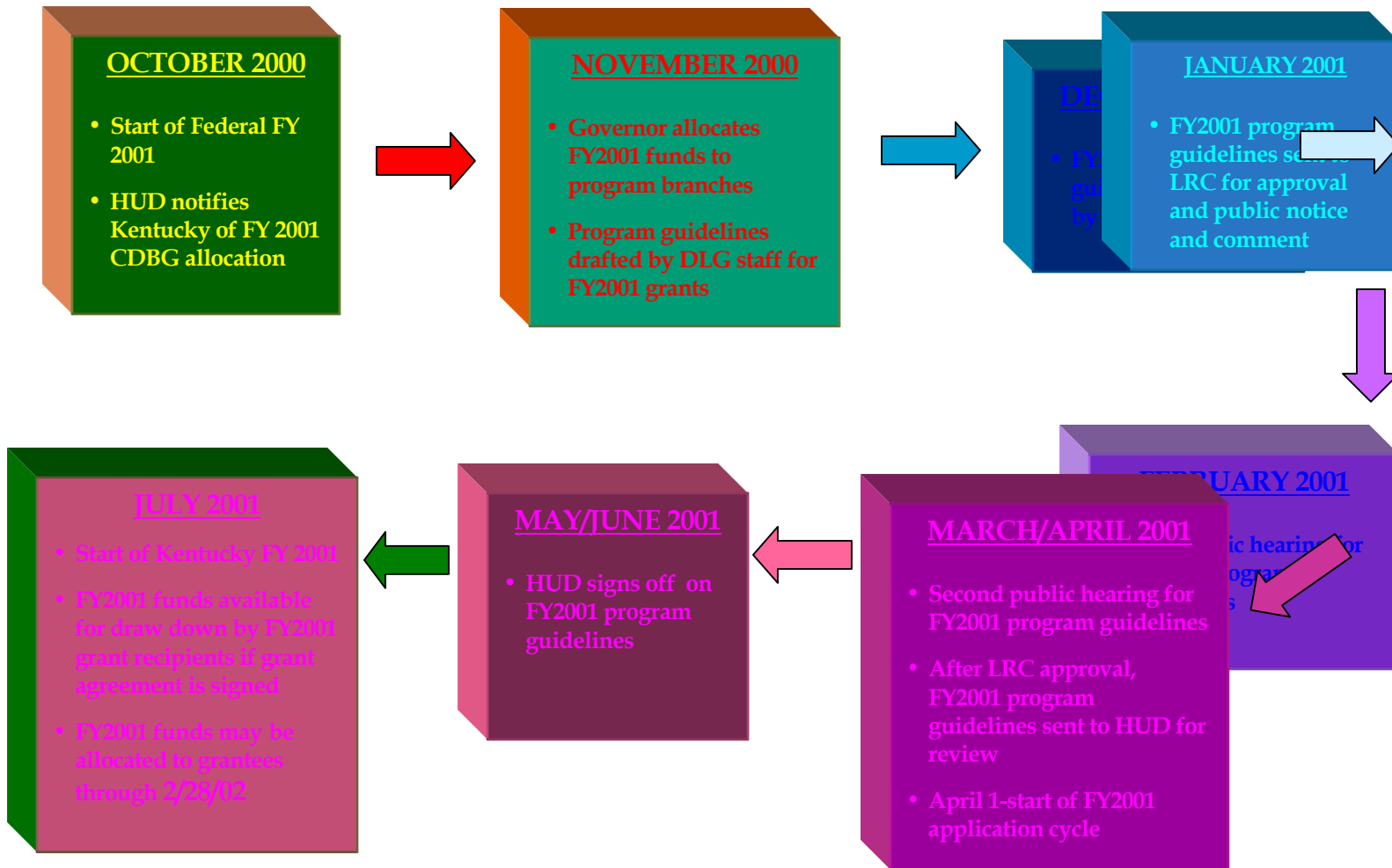
1. What would you do if there were the appearance of mismanagement of the city or county and/or CDBG funds?
2. If there's a conflict between the administrator and the city or county, what do you do?
3. How accountable do you believe the administrator/agency should be if project performance is substandard?
4. How do you measure the performance of your staff?
5. How well are the grants administered? How could they be improved?
6. We understand that there's a lot of turnover with the grants administrators. What could the Div. Of Community Development do to mitigate turnover?
7. What kind of continuing education should be required, if any, for grants administrators? Who should provide the education?

Appendix E
Flowchart of CDBG Application Process



Appendix F

Flowchart of Moving Federal Funds to Communities



Appendix G HUD Letters



U. S. Department of Housing and Urban Development

Kentucky State Office
Community Planning & Development
601 West Broadway Room 110
Louisville, KY 40202
502-582-6141 FAX 502-582-3300
KY TDD Relay Service 800-648-6056
www.hud.gov/kentucky.html

September 20, 2000

Mr. Bob Arnold
Commissioner, Department of Local Government
1024 Capital Center Drive
Frankfort, KY 40601 -8204

RECEIVED

SEP 21 2000

7276

Commissioner's Office

Dear Mr. Arnold:

SUBJECT: HUD On-site Monitoring Review
Community Development Block Grant Program
Grant Numbers B-97/98-DC-21 -0001

During the period of August 28th through September 1st 2000, representatives of the U.S. Department of Housing and Urban Development (HUD) conducted an on-site monitoring review of the Commonwealth of Kentucky's administration of the State Community Development Block Grant (CDBG) program. Technical assistance in a variety of areas was also provided to the Department of Local Government (DLG) staff during this visit. The exit conference was held on September 1, 2000, and was attended by you, Ms. Myralee-Smith Cowley of your Division of Community Programs, and Ms. Sandy Frye, our State Program Coordinator. Such periodic reviews by HUD are required by Section 104(e) of the Housing and Community Development Act of 1974, as amended.

During our review, Ms. Frye reviewed the State's pre-approval fundability process and performance in distributing Federal Fiscal Year 1997, 1998 and 1999 funds in conformance with HUD's Timeliness provisions as required in Section 104(e)(2) of the Act. She also examined the State's process for verifying post-approval fundability of activities as well as the State's performance in complying with HUD's environmental review requirements. Ms. Rita Keller of our staff reviewed the State's compliance with Civil Rights and Section 504 requirements. In addition, an on-site visit to the City of Crab Orchard was conducted on August 30th to observe the State's sub-recipient monitoring activities.

Overall, we found that the State is in compliance with the rules and requirements governing the areas monitored by the HUD reviewers. As a result, there were no FINDINGS or CONCERNS. A FINDING is a violation of a law or a regulation and must be addressed by the grantee. A CONCERN is an issue which if not corrected, could evolve into a FINDING. The detailed results of this review are outlined in the enclosed **Monitoring Report**, however, our major conclusions from this monitoring visit are as follows:

1. The review of pre-approval fundability of activities did not disclose any unfundable activities, however, additional information was required to support the eligibility determination for the 1998 Bath County Scattered Site Homebuyer project. The necessary information was sent to our office on September 11,

2000.


2. The distribution of FY 1997, 1998, and 1999 funds has been acceptable to date with 100% of FY 1997 and 1998 funds having been distributed and 95% of FY 1999 funds. All State CDBG funds must be awarded and announced to units of general local government within 15 months from the date of the signed grant agreements for each corresponding grant year. The State has until October 20, 2000, to distribute the remainder of its 1999 grant funds.
3. The review of post-approval activities did not disclose any unfundable activities.
4. The review of the State's environmental review procedures did not disclose any environmental compliance issues.
5. The review of the State's Civil Rights and Section 504 compliance documentation did not disclose any Fair Housing compliance issues.

In conclusion, we have determined that the State is in compliance with the rules and requirements governing the areas selected for monitoring. As in the past, the overall performance of DLG is exceptional. We commend Mr. Jim Claycomb and his staff for their efforts and the high level of professionalism and technical expertise they bring to the program.

Also, we would like to this opportunity to remind you that Kentucky's expenditure rate of CDBG funds is still below the national average for states. As of June 30, 2000, Kentucky still had over 2.3 grant years of CDBG funds in its line of credit. While this is an improvement over the 2.99 ranking in 1997 and its 2.42 ranking in 1998, we feel more progress can, and must, be made. Given the changes the State has recently made in its overall distribution process, we feel confident that the State of Kentucky's level of unexpended funds will continue to decrease. We appreciate the time and effort put forth by the staff at DLG to address this very important issue.

In closing, we want to thank you, Mr. Claycomb and his staff for the courtesy and cooperation extended to the HUD reviewers during their visit. We look forward to continuing our excellent working relationship with DLG in the delivery of much needed community development funds and services to the citizens of the Commonwealth. We would also like to take this opportunity to wish you well in your new role as the Executive Director of the Kentucky Association of Counties and congratulate Mr. Claycomb on his upcoming retirement. It has indeed been a pleasure working with both of you and if I can be of any assistance in the future, please do not hesitate to call me at (502) 582-6142. If we may provide further information or assistance regarding any item in the enclosed report, please contact Ms. Sandy Frye, State Program Coordinator, at (502) 582-6163 extension 316.

Very sincerely yours,



Director
Community Planning and Development

Enclosure
cc: Mr. Jim Claycomb



U. S. Department of Housing and Urban Development
Kentucky State Office Community Planning & Development
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Louisville, KY 40202
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KY TDD Relay Service 800-648-6056
www.hud.gov/local/lou/

October 17, 2001

Ms. Ventra Mapp, Director
Division of Community Development
Department for Local Government
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601-8204

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OCT 18 2001

**Division of Community
Development**

Dear Ms. Mapp:

The purpose of this letter is to once again congratulate you and your staff on the substantial progress the Department for Local Government (DLG) has made in improving the State's expenditure rate of its Community Development Block Grant (CDBG) funds.

According to your most recent quarterly report submitted on October 8, 2001, total expenditures for the quarter ending September 30th, 2001, were \$11,884,483. This is a 12% increase from the previous quarter and a 30% increase from the third quarter of the previous year. We agree that the strategies implemented by the State to improve its overall expenditure rate appear to be working well and we are pleased with the State's continued progress in this area. Keep up the good work!

If you have any further questions or comments, please contact Ms. Sandy Frye, Senior Community Planning and Development Representative, at 502-582-6163 ext. 316.

Very sincerely yours,

Ben A. Cook, Director
Office of Community Planning and Development

cc: Governor Patton



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JUL 18 2001

Division of Community
Development

U. S. Department of Housing and Urban
Development
Kentucky State Office
Community Planning & Development
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July 17, 2001

Ms. Ventra Mapp, Director
Division of Community Development
Department for Local Government
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601-8204

Dear Ms. Mapp:

The purpose of this letter is to congratulate you and your staff on the substantial progress the Department for Local Government (DLG) has made during the third quarter in improving the State's expenditure rate of its Community Development Block Grant (CDBG) funds.

According to your most recent report submitted on July 9th 2001, total expenditures for the quarter ending June 30th, 2001, were over \$10.3 million. This is almost a 15% increase from the previous quarter and a 31% increase from the second quarter of the previous year. We agree that the expenditure strategies implemented by the State to improve its overall expenditure rate have been successful and feel confident the State will continue to make progress in this area. As you know, this translates into more funds being expended in our communities for the benefit of low-to-moderate income persons. Congratulations on a job well done!

As always, it is indeed a pleasure to work with the professional and dedicated staff at DLG. If you have any further questions or comments, please contact Ms. Sandy Frye, Senior Community Planning and Development Representative, at 502-582-6163 ext. 316.

Very sincerely yours,

Ben A. Cook, Director
Office of Community Planning and Development

Appendix H

Detail of Sampling Procedures

The Commonwealth has greatly overstated the required minimum sample for local LMI surveys. From this requirement come additional planning and applications costs, as well as the opportunity cost of those potential applicants who did not apply due to prohibitive costs in the pre-application stages of the process.

HUD only requires local LMI surveys to be methodologically sound to be considered valid and leaves the definition of that soundness at the discretion of the Commonwealth. The current Commonwealth-administered system is overly conservative with respect to its approach to LMI sample size selection. By utilizing standard statistical sampling tests, the minimum sample size table contained in Appendix B of the CDBG Program Guidelines can be revised. The following provides a brief overview of proper sampling procedures and an illustration of a potential local LMI sample situation and the application of those proper sampling procedures.

There are three main factors determining the required minimum size of any one specific sample. They are the following, in no particular order or importance⁶:

1. The Degree of Confidence Selected: This amount is usually 90%-95%, but it can be at any level. HUD does not specify a certain confidence level or range. The CDBG Program Guidelines are silent on the confidence level with respect to the guidance provided to local LMI surveyors. In other words, 90%-95% percent confidence specifies that between 9 and 9½ times out of ten, the sample would be representative (or methodologically sound).
2. The Maximum Allowable Error: This refers to the maximum tolerance for error that is allowable under the selected confidence level. Again, the CDBG Program Guidelines are silent of guidance to local LMI surveyors.
3. The Variation of the Population: A more technical aspect, but it is based on the standard deviation of the population in question.

In our evaluation of DLG sampling requirements for the local LMI surveys, we could locate no theoretical background for the declining scale sampling percentages found in Appendix B of the CDBG Program Guidelines. DLG is seemingly concerned with the accuracy or more specifically the unbiasedness of the income measurements. Unfortunately, the sample size taken, no matter how large with respect to the population in question, cannot guarantee an unbiased – thus methodologically sound – survey tool. Unbiasedness is a property of repeated sampling, not of any given sample⁷.

⁶ Adapted from Mason, Robert D. & Douglas A. Lind. Statistical Techniques in Business and Economics. 9th ed. Chicago: Irwin, 327-333.

⁷ Gujarati, Damodar N. Advanced Econometrics. 3rd ed. New York: McGraw-Hill, 779.

With this in mind, what DLG is otherwise ensuring by creating artificially high sampling percentages is an apparent protection against variance from the average or mean of the population, in this case the median family/household income of the county (the benchmark for comparison).

It is necessary for DLG to further define the requirements behind the minimum sample requirements for the local LMI resident survey. As noted on the previous page, DLG should decide on the parameters necessary to conduct a valid survey, namely the level of confidence required and the maximum allowable tolerance for error within the sample itself. From there, the Department should provide a formula to local applicants utilizing the then-decided-upon statistical parameters. From there, the local applicant should be able to calculate the statistically valid minimum sample needed, given a specific confidence range and maximum allowable error.